



The President's Daily Brief

20 November 1971



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PRINCIPAL DEVELOPMENTS

The recent military activity close to Phnom Penh has put the Cambodian economy under new strains. (*Page 1*)

On *Page 2* we comment on the likelihood of a Warsaw Pact foreign ministers' meeting late this month.

Japan may be preparing to reverse policy and permit the extension of government credit to North Korea to purchase industrial plants. (*Page 3*)

North Vietnam's premier is heading a delegation to Peking. (*Page 4*)

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CAMBODIA

Phnom Penh is beginning to feel an economic pinch from the current fighting close to the city and from Communist interdiction over the past two weeks of Route 5, the capital's main link to the ricebowl in the northwest. Hoarding in the city is on the increase, and prices have been moving upward rapidly. To add to the problem, the economic reform measures introduced last month have not yet made an impact.

The tight rice situation may ease somewhat next month if a shipment of rice due from Japan arrives in the capital and if some rice from the new harvest becomes available. In the meantime, however, the government may have to dig into its stock of very low quality rice in order to feed the population. The uneasy military situation, together with the ineffectiveness to date of the stabilization program, could dissuade other countries from contributing to a proposed fund for boosting Cambodia's foreign currency reserves.

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WARSAW PACT

[redacted] there will be a meeting of the pact foreign ministers in Warsaw by the end of this month. The possibility of a rapid conclusion of the inter-German negotiations on Berlin could mean that the gathering will be an important one in the development of the pact's position on European security.

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[redacted] Pravda on 18 November went so far as to misquote East German party chief Honecker to the effect that the German talks "can and must be successfully concluded in November." (In fact, Honecker said he was interested in reaching an agreement this month--"if it was possible".) Pravda went on to argue that preparations should begin in the "very nearest future" for a Conference on European Security and Cooperation.

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The USSR will probably use the pact meeting to issue a fresh joint appeal for such preparations in the hope of influencing the NATO ministers' meeting scheduled for 9-10 December.

A pact gathering also will most likely take up the question of mutual force reductions. Lately, Moscow has attributed little urgency to this question, and there are no signs that the Soviets and their allies have done anything yet to develop a common position on this issue. The USSR has still not officially agreed to talk to former NATO Secretary General Brosio, who has been commissioned to sound out Moscow's position.

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JAPAN - NORTH KOREA

The Japanese trade minister recently indicated he favored Japanese financing for the sale of industrial plants to North Korea. Three such deals are under consideration, having a value of nearly \$10 million.

This would be a complete reversal of policy. Japanese business has long been interested in selling factories to North Korea, and this interest has perked up following the imposition of US import restrictions and recent moves by Pyongyang to improve relations. A major stumbling block until now has been the North Koreans' inability to secure adequate financing.

Another block has been Tokyo's unwillingness to alienate South Korea. Although Seoul can be expected to protest a move by Tokyo to extend credit to Pyongyang, the South Koreans of late have lessened their opposition to such trade. Tokyo's efforts to improve relations with Peking also make it likely that the Japanese are considering similar financing of trade with Communist China.

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NOTE

North Vietnam - Communist China: A North Vietnamese delegation headed by Premier Pham Van Dong began an official visit to Peking today. In addition to serving as the occasion for an effusive show of Sino - North Vietnamese solidarity, the visit will offer Hanoi an opportunity to probe Peking's current position on the war in the wake of the recent changes in the Chinese power structure. The delegation will also be seeking the latest reading on the state of relations between Washington and Peking, along with whatever further reassurances it can get from the Chinese.

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